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1 APR 1977

Transcript of a, #1

MEMORANDUM FOR: Director of Central Intelligence

FROM : James H. Taylor
Comptroller

SUBJECT : Senate Select Committee Views on Separating National Intelligence Product from Clandestine Services and Other Collection Functions

1. You asked if we would annotate portions of the Senate Select Committee on Intelligence's (SSC) report of last year dealing with the question of separating national intelligence production and analysis (the DDI) and the Clandestine Service (DDO). Your question is complex and in fact is central to the deliberations surrounding PRM 11. Having said this, we nevertheless hope this paper will give you a useful response.

2. Among other things, the SSC recommended consideration of major organizational changes in the Intelligence Community. Briefly, the Committee proposed that the DCI be given statutory responsibility and authority for establishing national intelligence requirements, preparing the national intelligence budget, and providing guidance for U.S. national intelligence program operations. Within this broad framework, the Committee believed that the Executive Branch and the Congress should: "...give careful consideration to removing the DCI from direct management responsibility for the Central Intelligence Agency. This would free the DCI to concentrate on his responsibilities with regard to the entire intelligence community and would remove him from any conflict of interest in performing that task. It might also increase the accountability of the Central Intelligence Agency by establishing a new and separate senior position--a Director of the Central Intelligence Agency--responsible for only the CIA."

3. Let us comment on this basic recommendation, which has been incorporated into one of the present Select Committee's draft bills. Three points should be made. First, this recommendation further separates the DCI from the Intelligence Community by

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apparently eliminating his line authority over the one element of the Community which he does now control directly--the CIA.

4. Second, by giving the DCI budgetary but not line command authority over the Community, the proposal raises a question as to what the Director's job is in contrast to that which is currently exercised, under statute, by OMB.

5. Third, taking away the DCI's line authority over CIA would leave the new Director of the Central Intelligence Agency (D/CIA) accountable to the NSC (or possibly the President) for operational, production, and policy matters and to the DCI for budgets. The possibility for undesirable end runs and general confusion is considerable, and it is not clear, if a streamlined management structure is our goal, that we would have gained very much. If the CCP and the NRO were made similarly accountable to the DCI for budgetary matters but remained accountable to the Secretary of Defense for operations (or were made accountable to the President and the NSC), the problem would intensify.

6. Let us return to the Senate report which states: "The Committee believes that several important problems uncovered in the course of this inquiry suggest that serious consideration also be given to major structural change in the CIA--in particular, separating national intelligence production and analysis from the clandestine service and other collection functions. Intelligence production could be placed directly under the DCI, while clandestine collection of foreign intelligence from human and technical sources and covert operations would remain in the CIA." Thus the DCI of the future would exercise line management control only over the production and analysis function (presumably the CIA Intelligence Directorate plus the NIO structure). He would "own" the production function but be responsible only for the budgets of, and the tasking* of, whatever portion of the balance of the Intelligence Community for which he is given authority. Removing the DDI from CIA would leave a "residual CIA," responsible for clandestine collection and related technical and other support

*It is not clear what the Senate report has in mind in suggesting that the DCI have tasking authority over the whole Community but not line control. The implication is that the DCI will have the authority to tell others what to do but not to force them to do it, although his budgetary powers may help ensure that they listen when he talks.

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(the DDO and parts of DDS&T and DDA); some technical collection (DDS&T); the management of certain overhead programs under delegation from the NRP (assuming present arrangements remained unchanged—which they might not); and covert action.

7. The Committee then goes on to note the advantages and disadvantages of this approach. These are stated below together with our comments in each case:

"The advantages of such a step are several:

—The DCI would be removed from the conflict of interest situation of managing the intelligence community as a whole while also directing a collection agency."

This is generally true, but it should be noted that he would not be responsible for managing the Intelligence Community—but only for proposing, defending, and administering its budget.

"--The concern that the DCI's national intelligence judgments are compromised by the impulse to justify certain covert action operations or by the close association of the analysts with the clandestine service would be remedied."

This seems true enough, though "compromised" is a word with which many would argue. On the other side of this coin, it should be noted that many believe that a problem is the lack of a close relationship between analysts and the clandestine service which may lead to "operations for operations' sake" rather than operations which respond to analytical needs.

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"--The problem, seen by some in the intelligence community, of bias on the part of CIA analysts toward the collection resources of the CIA would be lessened."

If this in fact a real problem, the statement would appear to be true.

"--It would facilitate providing the intelligence production unit with greater priority and increased resources necessary for improving the quality of its finished intelligence."

We doubt this. The proposed formulation would not in and of itself improve the DCI's ability to do what he now has the authority to do if he deems it appropriate. Though hardly a powerful argument, the reverse could also be true: In trying to be even-handed on budgetary matters, the DCI might tend to shy away from proposals to enhance his own organization at the possible expense of others.

"--Tighter policy control of the Clandestine Service by the National Security Council and the Department of State would be possible."

We doubt this. In fact we believe that the reverse would be true: By making the clandestine service responsible to two masters instead of one, whatever problem presently exists would get worse, not better.

"--The Director would be able to focus increased attention on monitoring Clandestine Services."

Without line control over the clandestine service, it is hard to see how the DCI would be in a position usefully to focus increased attention on the clandestine service.

Why, in the last analysis, should the clandestine service, which would report through a new DCIA to the NSC, respond to the DCI's interest? The new DCI would be in the same position OMB is now—they control the money but have never been able to get deeply into sensitive operational detail.

"--Internal reorganization of the Directorate for Intelligence and the remainder of the CIA could be facilitated."

We think there is little validity to this point. In fact, several significant reorganizations have taken place during the past year under existing arrangements—particularly in the Directorate for Intelligence.

The Committee notes that: "There are potential drawbacks as well:

—The Director of Central Intelligence might lose the influence that is part of having command responsibility for the clandestine services."

We agree, and have argued above why this might well be the case.

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"--The increasing, though still not extensive, contact between national intelligence analysts and the Clandestine Service for the purpose of improving the espionage effort might be inhibited."

Again, as pointed out above, we agree. It is important to note, however, that for cover, security, and other reasons, the relationship between DDI analysts and DDO operations officers generally will probably never be a close one at the working level (though there is and should be a close relationship at the top).

"--The DCI would have managerial responsibility over the former CIA analysts which might place him in a conflict-of-interest situation in regard to the production of intelligence."

We do not understand this point and hesitate to comment on it, though this possibly refers to the DCI's responsibility to prepare national estimates taking into account the views of other Community production entities, such as DIA. If this point is accurate, it should be noted that the DCI has lived with this problem for 30 years; the SSC approach represents no change.

"--The increased number of independent agencies would increase the DCI's coordination problems."

In our view, it is not the "increased number of independent agencies" which would increase his coordination problems but his lack of line control over one part of the Community—CIA—which would increase that problem.

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"--If the clandestine services did not report to the DCI, there would be the problem of establishing an alternative chain of command to the President."

We agree and have so noted above.

"--The Clandestine Service might be downgraded and fail to secure adequate support."

We see no particular reason why this should be the case.

This could happen under present arrangements as easily as it might under the new formulation.

8. We hope this paper has been helpful to you. We have attached an earlier paper provided to Mr. Knoche which comments on many of the same issues from a somewhat broader perspective.

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James H. Taylor

Attachment:
As stated

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16 MAR 1977

NOTE FOR: Deputy Director of Central Intelligence

SUBJECT : PRM 11 - The Basic Choices

Hank:

We are beginning once again a searching look at the structure of the Intelligence Community. As you know, I have devoted a good deal of my professional career "worrying" the question of how the Community ought to be organized. In fact as I look back on it, fully three of the last seven years have been committed to full-time examination of what is wrong in a managerial sense with the Intelligence Community and of how it might be put right. The most significant question which has arisen at every step of this process involves the authorities of the Director of Central Intelligence: What should these authorities be, and what would be necessary to make them effective? It is embarrassing to discover that those three years of experience can be reduced to a few paragraphs, but that is, nevertheless, the case, and I have attempted to do that in this paper.

I see the question of changing the Director's present authorities as posing a series of difficult dilemmas. This should not be considered an argument for the status quo, because the status quo itself contains other dilemmas. In considering changing the DCI's authorities, the issues really involve exchanging one set of dilemmas for another, and which set you choose depends in the last analysis on what you think is most important. Let me try to illustrate these points by outlining the most fundamental options, stripped of all the important but in my view secondary questions which will arise as we proceed with PRM 11.

Following World War II, the National Security Act of 1947 established a civilian intelligence organization, the CIA, and gave it a broad charter for the correlation and evaluation of information largely collected by others. In establishing itself, CIA took over services of common concern such as FBIS and the clandestine human collection and covert action roles of the OSS. In the intervening

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years, CIA's capabilities have greatly expanded; a major cryptologic program (the CCP) has been built within Defense out of a lot of World War II bits and pieces; and technology has made possible the development of a National Reconnaissance Program (NRP).

In the early 1970's, Jim Schlesinger's study of the Intelligence Community concluded that for a variety of reasons effective central management of the whole Community was desirable. But for a number of pragmatic political reasons (which are still with us) he did not propose a truly effective solution. While many in intelligence had acknowledged the existence of something called the Intelligence Community before the Schlesinger report, there was hardly a Community at all in the dictionary sense of that word, except perhaps in the production world. Dr. Schlesinger argued most fundamentally that someone had to be in charge of most American intelligence, particularly the collection side, as the DCI had always been in charge to a significant degree in the production area. As we all know, Dr. Schlesinger's recommendations, and those which followed under President Ford's E. O. 11905, in effect conferred upon the DCI a Community responsibility but did not give him effective statutory authority.

With PRM 11, we are at yet another crossroads in the evolution of the Intelligence Community. The question of whether to give the Director somewhat more authority, a lot more authority, or perhaps to abandon the effort to weld the various intelligence components into an effective community is once again before us, and herein lie the dilemmas referred to above. In the last analysis, there are only four fundamental options: We can go backward, reducing the Director's Community responsibilities to match his present authorities; we can stay where we are, keeping the DCI's (inadequate) authorities over the whole Community essentially unchanged but perhaps institutionalizing them more effectively; we can try to go forward toward more effective central management arrangements by giving the Director increased statutory authority over the budget process of all or selected Community members; or we can consider going forward a considerable distance by giving him statutory authority not only for the budgetary process, but for the line management of all or selected parts of the Intelligence Community. Within each of these broad options there are an infinite number of variations on the basic theme. So far as I am able to determine, however, these are the basic choices. Let us take them one by one.

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Reduce the Director's Responsibilities to Those He Can Handle
Under His Present Authorities

This option, for those who regard effective central management of American intelligence as important, would be a step backwards. It would presumably be based on a frank assessment that there is really no way to give the Director an effective role in the management of the Intelligence Community, save that which he now has in the production world by virtue of the 1947 Act. For many reasons, including those identified in the Schlesinger report, I doubt this is really an option which can now be considered. (Though the Department of Defense, I suspect, would find it most acceptable.) Pursuing this approach would be an admission that the Executive Branch cannot solve what many in the Community and in the Congress consider an important management problem. We would in fact be acknowledging that only the President and his staff (NSC and the OMB) and the Congress can cope with the managerial and budgetary issues which arise between components within the Intelligence Community. For this reason alone, this approach seems essentially infeasible. If we cannot go backward, can we go forward?

Increase the Director's Statutory Authority Over the Intelligence
Community Budget or Some Significant Part of It

In our 1975 report entitled "American Intelligence A Framework for the Future," we argued for the establishment of a new statutory head of the Intelligence Community, a Director General of Intelligence, who would have real budgetary authority over the Intelligence Community without at the same time having line management authority over other than CIA. Giving to the Director real budgetary authority (in contrast to what is now essentially a staff role with respect to preparation of the Intelligence Community budget for the President) would greatly increase his leverage and hence his ability to shape the Intelligence Community. There is, however, a fundamental problem with this concept: Giving the DCI statutory responsibility over budgetary matters without giving him line management authority would mean that the Director of NSA, the Director of the NRO, and possibly the directors of certain other components of the Community (perhaps including CIA) would have two bosses: one to whom they responded on general management and policy issues, and one to whom they responded on issues having to do with the budget. Such an arrangement is awkward, to say the least, though it is possible—at least in theory.

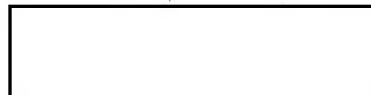
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Give the Director Both Statutory Budgetary Authority and Line Management Authority Over Major Parts of the Intelligence Community

This is the classical solution for every similar management problem. The idea is simple: make one man responsible for the management of the whole enterprise and hold him accountable for doing a good job. The first question which arises is: Is this politically feasible? Removing the Consolidated Cryptologic Program (CCP) and the NRP from the Department of Defense would not be easy. There may be, however, a more fundamental dilemma inherent in this option. CIA is essentially a civilian organization charged with serving the nation's civilian leadership. NSA and a portion of the NRP are parts of the military establishment with important intelligence support responsibilities to the nation's military leadership. The needs of civilian and military leadership in peacetime are somewhat different. Both require intelligence: civilians to understand what is happening in the world and attempt to avoid hostilities; the military to be prepared to undertake action in the event of hostilities. While there are many intelligence requirements in common, there are also many that are different. Increasing the Director's authority in this way would de facto make him responsible to the nation's military as well as to its civilian leadership, and there is a question as to whether that is desirable. Certainly in taking this step, we would be building into the Director's role a fundamentally different responsibility--a responsibility for intelligence support to both civilian and military leadership--which may raise serious and basic issues about his objectivity.



James H. Taylor
Comptroller

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